

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Big Rapids	County Mecosta
Fiscal Year End December 31, 2006	Opinion Date June 26, 2007	Date Audit Report Submitted to State June 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

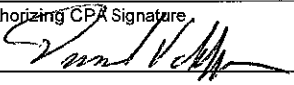
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	SAS 112 Report	
Other (Describe) Single Audit Report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724

Charter Township of Big Rapids
Mecosta County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Big Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Charter Township of Big Rapids, Michigan's (the Township) operations over the fiscal year and its financial condition on December 31, 2006.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased \$905,019 (23 percent) as a result of this year's operations.
- Of the \$4,926,689 total net assets reported, \$903,661 is unrestricted and, therefore, available to be used to meet future operating needs at the discretion of the Township Board.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$289,086, which represents 65 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - The governmental funds statements tell how general government services, like public works and public safety, were financed in the short term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business. The Township's proprietary funds account for its construction code inspections department and sewage collection system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

Charter Township of Big Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* -- These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of operating the Township's sewage collection system and inspections department.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like capital improvements) or to show that it is properly using certain taxes and other revenues (like the fire protection millage).

The Township has three kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.

Charter Township of Big Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Proprietary funds. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- Fiduciary fund. This fund is used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Net Assets - Agency Fund. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$4,926,689, a 23% increase compared to the prior year. However, \$3,600,173 of this total is invested in capital assets, net of related debt, and \$422,855 is restricted for various purposes. Consequently, unrestricted net assets were \$903,661, 18% of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Other assets	\$ 1,258,069	\$ 1,801,568	\$ 567,435	\$ 572,983	\$ 1,825,504	\$ 2,374,551
Capital assets	<u>2,948,451</u>	<u>2,628,981</u>	<u>1,630,528</u>	<u>960,011</u>	<u>4,578,979</u>	<u>3,588,992</u>
Total assets	<u>4,206,520</u>	<u>4,430,549</u>	<u>2,197,963</u>	<u>1,532,994</u>	<u>6,404,483</u>	<u>5,963,543</u>
Other liabilities	<u>486,471</u>	<u>939,430</u>	<u>12,517</u>	<u>13,150</u>	<u>498,988</u>	<u>952,580</u>
Long-term debt	<u>938,806</u>	<u>939,293</u>	<u>40,000</u>	<u>50,000</u>	<u>978,806</u>	<u>989,293</u>
Total liabilities	<u>1,425,277</u>	<u>1,878,723</u>	<u>52,517</u>	<u>63,150</u>	<u>1,477,794</u>	<u>1,941,873</u>
Net assets:						
Invested in capital assets, net of related debt	<u>2,009,645</u>	<u>1,670,009</u>	<u>1,590,528</u>	<u>910,011</u>	<u>3,600,173</u>	<u>2,580,020</u>
Restricted	<u>422,855</u>	<u>565,218</u>	<u>-</u>	<u>-</u>	<u>422,855</u>	<u>565,218</u>
Unrestricted	<u>348,743</u>	<u>316,599</u>	<u>554,918</u>	<u>559,833</u>	<u>903,661</u>	<u>876,432</u>
Total net assets	<u>\$ 2,781,243</u>	<u>\$ 2,551,826</u>	<u>\$ 2,145,446</u>	<u>\$ 1,469,844</u>	<u>\$ 4,926,689</u>	<u>\$ 4,021,670</u>

Charter Township of Big Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. In 2006, the Township's total revenues are \$1,943,319. Approximately 15% of the Township's revenues come from property taxes while state revenue sharing represents only 11%. About 21% of total revenues come from charges for services, primarily sewer charges. In 2006, the Township recognized revenues of \$841,781 related to capital contributions which represented 43% of its revenues in the current year.

Condensed financial information						
Changes in Net Assets						
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 84,306	\$ 66,433	\$ 319,187	\$ 385,340	\$ 403,493	\$ 451,773
Operating grants and contributions	41,737	38,102	-	-	41,737	38,102
Capital grants and contributions	640,436	1,252,834	201,345	184,150	841,781	1,436,984
General revenues:						
Property taxes	299,604	273,217	-	-	299,604	273,217
State shared revenue	221,683	219,523	-	-	221,683	219,523
Interest income	37,733	15,853	24,531	12,673	62,264	28,526
Miscellaneous	72,757	86,607	-	-	72,757	86,607
Transfers	(498,000)	47,256	498,000	(47,256)	-	-
Total revenues	900,256	1,999,825	1,043,063	534,907	1,943,319	2,534,732
Expenses:						
Legislative	9,293	8,162	-	-	9,293	8,162
General government	379,771	338,616	-	-	379,771	338,616
Public safety	170,089	121,493	-	-	170,089	121,493
Public works	40,406	7,013	-	-	40,406	7,013
Community and economic development	22,446	22,432	-	-	22,446	22,432
Culture and recreation	6,547	10,363	-	-	6,547	10,363
Interest	42,287	16,663	-	-	42,287	16,663
Sewer	-	-	268,977	202,698	268,977	202,698
Inspections	-	-	98,484	92,530	98,484	92,530
Total expenses	670,839	524,742	367,461	295,228	1,038,300	819,970
Increase in net assets	\$ 229,417	\$ 1,475,083	\$ 675,602	\$ 239,679	\$ 905,019	\$ 1,714,762

Governmental activities

Governmental activities increased the Township's net assets by \$229,417 in 2006 compared to an increase of \$1,475,083 in 2005. The primary reason for the increase in net assets was the \$589,278 capital grant from the Department of Commerce that financed infrastructure costs that were capitalized. The governmental activities also transferred capital assets totaling \$498,000 to the business-type activities which reduced this increase in net assets. The primary reason for the larger increase in net assets in 2005 was a larger capital grant from the Department of Commerce. The cost of all governmental activities this year was \$670,839 compared to \$524,742 in 2005.

Charter Township of Big Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

At December 31, 2006, the Township's governmental funds reported a combined fund balance of \$543,039, which represents a decrease of \$353,543 compared to the prior year.

The fund balance of the General Fund increased by \$22,118 in 2006. The increase was primarily the result of an effort to reduce expenditures in 2006. The General Fund's expenditures in 2006 were \$140,124 less than in 2005.

The fund balance of the Fire Fund increased this year by \$49,688 because property tax revenues exceeded the costs of public safety operating costs while a federal grant financed most of the capital outlay expenditures in 2006.

The fund balance of the Water Project Fund, a capital project fund, decreased this year by \$427,452. The expected decrease represents the expenditure of resources that financed an infrastructure improvement project at the Industrial Park.

General Fund budgetary highlights

Revenues were \$19,683 more than anticipated primarily because charges for services and interest revenue were higher than expected. Expenditures were \$113,081 less than the amounts appropriated mainly due to the township taking a conservative approach to spending. These variances resulted in a \$132,764 positive budget variance, and a \$22,118 increase in fund balance compared to a budgeted \$110,646 decrease.

Capital assets and debt administration

Capital assets

At December 31, 2006, the Township had invested \$4,578,979, net of depreciation, in various capital assets, including its land, buildings, equipment, vehicles, and infrastructure. This amount represents a net increase of \$989,987 in 2006.

This year's major capital asset additions included:

- Infrastructure improvements in the Industrial Park totaled \$816,309
- Purchased fire equipment for \$35,077
- Acquired two new mowers at a cost of \$11,940

Debt administration

At year end, the Township had outstanding bonds and notes payable in the amount of \$978,806. The Township retired debt in the amount of \$30,166 in 2006 and made all its debt service payments in a timely manner. No new debt was issued in 2006. More detailed information about the Township's long-term debt is presented in Note 7 of the notes to the basic financial statements.

Charter Township of Big Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook

The Big Rapids Township Board has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The Township has undertaken a number of measures to offset declining revenues. Among them are reducing overall spending and working with a balanced budget.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects in various stages of development including the Industrial Development Park, chain store development, and several apartment/condominium projects.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Charter Township of Big Rapids
Sherri Gilbert, Township Clerk
14212 Northland Drive
Big Rapids, MI 49307

Phone: (231) 796-3603

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Charter Township of Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Charter Township of Big Rapids, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Big Rapids, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated June 26, 2007, on our consideration of the Charter Township of Big Rapids, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Charter Township of Big Rapids, Michigan
Page 2

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Big Rapids, Michigan's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

June 26, 2007

BASIC FINANCIAL STATEMENTS

Charter Township of Big Rapids
STATEMENT OF NET ASSETS
December 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 727,459	\$ 516,656	\$ 1,244,115
Receivables	517,410	29,979	547,389
Prepays	13,200	20,800	34,000
Total current assets	<u>1,258,069</u>	<u>567,435</u>	<u>1,825,504</u>
Noncurrent assets:			
Capital assets not being depreciated - land	259,152	-	259,152
Capital assets, net of depreciation	<u>2,689,299</u>	<u>1,630,528</u>	<u>4,319,827</u>
Total noncurrent assets	<u>2,948,451</u>	<u>1,630,528</u>	<u>4,578,979</u>
Total assets	<u>4,206,520</u>	<u>2,197,963</u>	<u>6,404,483</u>
LIABILITIES			
Current liabilities:			
Payables	163,491	12,517	176,008
Deferred revenue	322,980	-	322,980
Bonds and notes payable	<u>36,636</u>	<u>10,000</u>	<u>46,636</u>
Total current liabilities	523,107	22,517	545,624
Noncurrent liabilities - bonds and notes payable	<u>902,170</u>	<u>30,000</u>	<u>932,170</u>
Total liabilities	<u>1,425,277</u>	<u>52,517</u>	<u>1,477,794</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,009,645	1,590,528	3,600,173
Restricted for:			
Public safety	73,708	-	73,708
Public works	12,097	-	12,097
Capital project	233,913	-	233,913
Perpetual care	103,137	-	103,137
Unrestricted	<u>348,743</u>	<u>554,918</u>	<u>903,661</u>
Total net assets	<u>\$ 2,781,243</u>	<u>\$ 2,145,446</u>	<u>\$ 4,926,689</u>

See notes to financial statements

Charter Township of Big Rapids

STATEMENT OF ACTIVITIES

Year ended December 31, 2006

		<u>Program revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
			<u>contributions</u>	<u>contributions</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 9,293	\$ -	\$ -	\$ -
General government	379,771	72,299	21,882	-
Public safety	170,089	90	15,685	51,158
Public works	40,406	11,917	4,170	589,278
Community and economic development	22,446	-	-	-
Culture and recreation	6,547	-	-	-
Interest on long-term debt	42,287	-	-	-
Total governmental activities	<u>670,839</u>	<u>84,306</u>	<u>41,737</u>	<u>640,436</u>
Business-type activities:				
Sewer	268,977	233,299	-	201,345
Inspections	<u>98,484</u>	<u>85,888</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>367,461</u>	<u>319,187</u>	<u>-</u>	<u>201,345</u>
Totals	<u>\$ 1,038,300</u>	<u>\$ 403,493</u>	<u>\$ 41,737</u>	<u>\$ 841,781</u>

General revenues:

Property taxes

State shared revenue

Interest income

Other

Transfer of capital assets

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (9,293)		\$ (9,293)
(285,590)		(285,590)
(103,156)		(103,156)
564,959		564,959
(22,446)		(22,446)
(6,547)		(6,547)
<u>(42,287)</u>		<u>(42,287)</u>
 95,640		 95,640
	\$ 165,667	165,667
	<u>(12,596)</u>	<u>(12,596)</u>
	 153,071	 153,071
 95,640	 153,071	 248,711
299,604	-	299,604
221,683	-	221,683
37,733	24,531	62,264
72,757	-	72,757
<u>(498,000)</u>	<u>498,000</u>	<u>-</u>
 133,777	 522,531	 656,308
229,417	675,602	905,019
 2,551,826	 1,469,844	 4,021,670
 <u>\$ 2,781,243</u>	 <u>\$ 2,145,446</u>	 <u>\$ 4,926,689</u>

See notes to the financial statements

Charter Township of Big Rapids
BALANCE SHEET - governmental funds
December 31, 2006

	Major funds			Nonmajor funds	Total governmental funds
	General	Fire	Water Project		
ASSETS					
Cash	\$ 275,208	\$ 133,518	\$ 141,533	\$ 177,200	\$ 727,459
Prepaid expenses	-	-	15,509	-	15,509
Receivables	170,176	116,366	230,868	-	517,410
Total assets	\$ 445,384	\$ 249,884	\$ 387,910	\$ 177,200	\$ 1,260,378
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 9,494	\$ -	\$ 153,997	\$ -	\$ 163,491
Deferred revenue	146,804	176,176	230,868	-	553,848
Total liabilities	156,298	176,176	384,865	-	717,339
Fund balances:					
Reserved for capital project	-	-	3,045	-	3,045
Unreserved	289,086	73,708	-	-	362,794
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	73,970	73,970
Capital projects fund	-	-	-	93	93
Permanent fund	-	-	-	103,137	103,137
Total fund balances	289,086	73,708	3,045	177,200	543,039
Total liabilities and fund balances	\$ 445,384	\$ 249,884	\$ 387,910	\$ 177,200	\$ 1,260,378
Total fund balances					\$ 543,039

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	2,948,451
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	230,868
Prepaid insurance is not reported in the funds.	13,200
Prepaid interest is reported in the funds, but not in the statement of net assets.	(15,509)
Some liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(938,806)
Net assets of <i>governmental activities</i>	\$ 2,781,243

See notes to financial statements

Charter Township of Big Rapids**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended December 31, 2006

	Major funds			Nonmajor	Total
	General	Fire	Water Project	funds	governmental funds
REVENUES					
Property taxes	\$ 182,761	\$ 159,973	\$ -	\$ -	\$ 342,734
Licenses and permits	90	-	-	-	90
Federal grants	-	51,158	358,410	-	409,568
State grants	221,683	-	-	8,654	230,337
Contributions from local units	21,882	6,201	-	-	28,083
Charges for services	17,960	-	-	2,409	20,369
Interest and rentals	20,597	4,455	13,999	7,482	46,533
Other	4,870	11,750	78,157	-	94,777
Total revenues	469,843	233,537	450,566	18,545	1,172,491
EXPENDITURES					
Legislative	9,293	-	-	-	9,293
General government	368,791	-	-	-	368,791
Public safety	-	108,284	-	4,502	112,786
Public works	36,325	-	816,309	-	852,634
Community and economic development	22,446	-	-	-	22,446
Culture and recreation	6,547	-	-	-	6,547
Capital outlay	4,323	75,565	-	11,940	91,828
Debt service:					
Principal	-	-	20,166	-	20,166
Interest	-	-	41,543	-	41,543
Total expenditures	447,725	183,849	878,018	16,442	1,526,034
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22,118	49,688	(427,452)	2,103	(353,543)
FUND BALANCES - BEGINNING	266,968	24,020	430,497	175,097	896,582
FUND BALANCES - ENDING	\$ 289,086	\$ 73,708	\$ 3,045	\$ 177,200	\$ 543,039

See notes to financial statements

Charter Township of Big Rapids

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2006

Reconciliation of the statement of revenues, expenditures, and changes in fund
balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ (353,543)

Amounts reported for *governmental activities* in the statement of activities (page 6)
are different because:

Capital assets:

Assets acquired	863,326
Assets transferred to business type activities	(498,000)
Net book value of dispositions	(1,892)
Provision for depreciation	(43,964)

Change in prepaid expenses (2,309)

Long-term debt - principal repayments 20,166

Change in other assets/liabilities:

Deferred revenue	230,868
Interest payable	<u>14,765</u>

Change in net assets of *governmental activities* \$ 229,417

Charter Township of Big Rapids
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2006

	<u>Inspections</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 114,580	\$ 402,076	\$ 516,656
Receivables	-	29,979	29,979
Deposit on vehicle	-	20,800	20,800
Total current assets	114,580	452,855	567,435
Noncurrent assets - capital assets, net of accumulated depreciation	-	1,630,528	1,630,528
Total assets	114,580	2,083,383	2,197,963
LIABILITIES			
Current liabilities:			
Payables	-	12,517	12,517
Bonds payable	-	10,000	10,000
Total current liabilities	-	22,517	22,517
Noncurrent liabilities - bonds payable	-	30,000	30,000
Total liabilities	-	52,517	52,517
NET ASSETS			
Invested in capital assets, net of related debt	-	1,590,528	1,590,528
Unrestricted	114,580	440,338	554,918
Total net assets	\$ 114,580	\$ 2,030,866	\$ 2,145,446

See notes to financial statements

Charter Township of Big Rapids
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds*
Year ended December 31, 2006

	<u><i>Inspections</i></u>	<u><i>Sewer</i></u>	<u><i>Totals</i></u>
OPERATING REVENUES			
Charges for services	\$ 85,888	\$ 233,299	\$ 319,187
OPERATING EXPENSES			
Operation and maintenance	98,484	233,607	332,091
Depreciation	-	31,745	31,745
Total operating expenses	98,484	265,352	363,836
OPERATING LOSS	(12,596)	(32,053)	(44,649)
NONOPERATING REVENUES (EXPENSES)			
Connection fees	-	116,250	116,250
Developer contribution	-	85,095	85,095
Interest revenue	6,031	18,500	24,531
Interest expense	-	(3,625)	(3,625)
Total nonoperating revenues	6,031	216,220	222,251
INCOME (LOSS) BEFORE TRANSFERS	(6,565)	184,167	177,602
TRANSFERS			
Transfer of capital assets from governmental activities	-	498,000	498,000
CHANGE IN NET ASSETS	(6,565)	682,167	675,602
NET ASSETS - BEGINNING	121,145	1,348,699	1,469,844
NET ASSETS - ENDING	\$ 114,580	\$ 2,030,866	\$ 2,145,446

See notes to financial statements

Charter Township of Big Rapids
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2006

	<u>Inspections</u>	<u>Sewer</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 85,888	\$ 245,821	\$ 331,709
Payments to suppliers	(38,405)	(243,008)	(281,413)
Payments to employees	<u>(73,030)</u>	<u>(13,066)</u>	<u>(86,096)</u>
Net cash used in operating activities	<u>(25,547)</u>	<u>(10,253)</u>	<u>(35,800)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(204,262)	(204,262)
Connection fees	-	116,250	116,250
Contribution from developer	-	85,095	85,095
Principal payments on capital debt	-	(10,000)	(10,000)
Interest payments on capital debt	<u>-</u>	<u>(3,625)</u>	<u>(3,625)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(16,542)</u>	<u>(16,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>6,031</u>	<u>18,500</u>	<u>24,531</u>
NET DECREASE IN CASH	<u>(19,516)</u>	<u>(8,295)</u>	<u>(27,811)</u>
CASH - BEGINNING	<u>134,096</u>	<u>410,371</u>	<u>544,467</u>
CASH - ENDING	<u>\$ 114,580</u>	<u>\$ 402,076</u>	<u>\$ 516,656</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (12,596)	\$ (32,053)	\$ (44,649)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	-	31,745	31,745
Change in assets and liabilities:			
Receivables	-	12,522	12,522
Deposits	-	(20,800)	(20,800)
Payables	-	(633)	(633)
Due to other funds	<u>(12,951)</u>	<u>(1,034)</u>	<u>(13,985)</u>
Net cash used in operating activities	<u>\$ (25,547)</u>	<u>\$ (10,253)</u>	<u>\$ (35,800)</u>

See notes to financial statements

Charter Township of Big Rapids
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
December 31, 2006

ASSETS

Cash	<u>\$ 211,610</u>
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LIABILITIES

Payables	<u>\$ 211,610</u>
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See notes to the financial statements

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Big Rapids, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no component units, legally separate entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the use of property tax revenues that are restricted for the financing of fire protection costs of the Township.

The Water Project Fund accounts for expenditures related to infrastructure improvements within the Big Rapids Area Industrial Park. A federal grant and bond proceeds are restricted resources that have financed the construction project.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Inspections Fund accounts for the activities of the Township's construction code inspections department.

The Township also reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., sewer systems, shared road costs, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Vehicles	20 years
Sewer systems	40 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

The 2005 taxable valuation of the Township totaled \$111,314,805, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	1.2356	Operating	\$ 137,121
Fire	1.4415	Public safety	159,973

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Cemetery	\$ 94,248	\$ 97,130	\$ (2,882)
	Public Works	Industrial Park assessments	-	12,036	(12,036)
Fire	Public safety	Fire protection	98,179	108,284	(10,105)
	Capital outlay	Capital outlay	18,000	75,565	(57,565)

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

Cash, as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 727,259	\$ 516,556	\$ 211,610	\$ 1,455,425
Cash on hand	<u>200</u>	<u>100</u>	<u>-</u>	<u>300</u>
Totals	<u>\$ 727,459</u>	<u>\$ 516,656</u>	<u>\$ 211,610</u>	<u>\$ 1,455,725</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at a single financial institution in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of December 31, 2006, \$1,719,512 of the Township's bank balances of \$1,919,512 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables, as of year end, for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental:				
General Fund	\$ 96,965	\$ -	\$ 73,211	\$ 170,176
Fire Fund	116,366	-	-	116,366
Capital Project Fund	-	-	230,868	230,868
Nonmajor funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental	<u>\$ 213,331</u>	<u>\$ -</u>	<u>\$ 304,079</u>	<u>\$ 517,410</u>
Proprietary:				
Sewer Fund	\$ -	\$ 29,979	\$ -	\$ 29,979
Inspections Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total proprietary	<u>\$ -</u>	<u>\$ 29,979</u>	<u>\$ -</u>	<u>\$ 29,979</u>

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds may also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

<u>Fund</u>	<u>Unearned Property taxes</u>	<u>Unavailable Federal grant</u>	<u>Totals</u>
General Fund	\$ 146,804	\$ -	\$ 146,804
Fire Fund	176,176	-	176,176
Water Project Fund	-	230,868	230,868
Totals	<u>\$ 322,980</u>	<u>\$ 230,868</u>	<u>\$ 553,848</u>

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 259,152	\$ -	\$ -	\$ 259,152
Construction in progress	1,640,750	-	1,640,750	-
Subtotal	<u>1,899,902</u>	<u>-</u>	<u>1,640,750</u>	<u>259,152</u>
Capital assets being depreciated:				
Buildings	384,313	-	-	384,313
Infrastructure	-	1,959,059	-	1,959,059
Vehicles	521,776	-	-	521,776
Equipment	116,169	47,017	14,879	148,307
Subtotal	<u>1,022,258</u>	<u>2,006,076</u>	<u>14,879</u>	<u>3,013,455</u>
Less accumulated depreciation for:				
Buildings	(40,986)	(3,090)	-	(44,076)
Infrastructure	-	(4,081)	-	(4,081)
Vehicles	(197,136)	(25,822)	-	(222,958)
Equipment	(55,057)	(10,971)	(12,987)	(53,041)
Subtotal	<u>(293,179)</u>	<u>(43,964)</u>	<u>(12,987)</u>	<u>(324,156)</u>
Governmental activities capital assets, net	<u>\$ 2,628,981</u>	<u>\$ 1,962,112</u>	<u>\$ 1,642,642</u>	<u>\$ 2,948,451</u>

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - construction in progress	\$ 185,000	\$ -	\$ 185,000	\$ -
Capital assets being depreciated - sewer system	1,011,552	887,262	-	1,898,814
Less accumulated depreciation	<u>(236,541)</u>	<u>(31,745)</u>	<u>-</u>	<u>(268,286)</u>
Subtotal	<u>775,011</u>	<u>855,517</u>	<u>-</u>	<u>1,630,528</u>
Business-type activities capital assets, net	<u>\$ 960,011</u>	<u>\$ 855,517</u>	<u>\$ 185,000</u>	<u>\$ 1,630,528</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 9,635
Public safety	30,248
Public works	<u>4,081</u>
 Total	 <u>\$ 43,964</u>

NOTE 7 - NONCURRENT LIABILITIES:

At December 31, 2006, the Township's noncurrent liabilities consist of the following issues:

Governmental activities:

2005 Township of Big Rapids, County of Mecosta, State of Michigan special assessment bonds (industrial park), general obligation limited tax series; payable in annual installments ranging from \$11,600 to \$55,000, plus interest payable semi-annually at rates between 2.90% and 4.60%; final payment due July 2025 \$ 755,000

2005 Installment purchase agreement between and among the Township of Big Rapids, the Mecosta County Development Corporation, and Isabella Bank and Trust; payable in annual installments of \$20,584, including interest at 6.50%; final payment due December 2020 183,807

Total governmental activities \$ 938,807

Business-type activities:

1992 Township of Big Rapids, County of Mecosta, sewer revenue bonds; payable in annual installments of \$10,000, plus interest at 7.25%; final payment due March 2010 \$ 40,000

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES (Continues):

Noncurrent liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Governmental activities:</i>					
2005 note payable	\$ 192,372	\$ -	\$ (8,566)	\$ 183,806	\$ 8,636
2005 special assessment bonds	<u>766,600</u>	<u>-</u>	<u>(11,600)</u>	<u>755,000</u>	<u>28,000</u>
Total	<u>\$ 958,972</u>	<u>\$ -</u>	<u>\$ (20,166)</u>	<u>\$ 938,806</u>	<u>\$ 36,636</u>
<i>Business-type activities:</i>					
1992 sewer revenue bonds	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 40,000</u>	<u>\$ 10,000</u>

At December 31, 2006, debt service requirements were as follows:

<u>Year ended December 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 36,636	\$ 42,404	\$ 10,000	\$ 2,900
2008	38,198	31,536	10,000	2,175
2009	39,795	39,996	10,000	1,450
2010	42,432	38,339	10,000	725
2011	44,110	36,541	-	-
2012 - 2016	247,368	151,204	-	-
2017 - 2021	282,267	86,813	-	-
2022 - 2026	<u>208,000</u>	<u>24,126</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 938,806</u>	<u>\$ 450,959</u>	<u>\$ 40,000</u>	<u>\$ 7,250</u>

NOTE 8 - PAYABLES:

Payables, as of year end, for the Township's individual funds are as follows:

	<u>Accounts</u>
Governmental funds:	
General Fund	\$ 9,494
Capital Project Fund	<u>153,997</u>
Total	<u>\$ 163,491</u>
Proprietary funds:	
Sewer Fund	<u>\$ 12,517</u>

Charter Township of Big Rapids
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township contributes 25% of each qualified employee's base salary to the plan and the contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$28,307 for the year ended December 31, 2006.

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Big Rapids
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 172,500	\$ 172,500	\$ 182,761	\$ 10,261
Licenses and permits	8,600	8,600	90	(8,510)
State grants	227,000	227,000	221,683	(5,317)
Contribution from local unit	20,000	20,000	21,882	1,882
Charges for services	8,400	8,400	17,960	9,560
Interest and rentals	12,300	12,300	20,597	8,297
Other	1,360	1,360	4,870	3,510
Total revenues	<u>450,160</u>	<u>450,160</u>	<u>469,843</u>	<u>19,683</u>
EXPENDITURES				
Legislative	<u>9,600</u>	<u>9,600</u>	<u>9,293</u>	<u>307</u>
General government:				
Supervisor/Assessor	92,227	92,227	72,199	20,028
Elections	6,750	6,750	4,379	2,371
Clerk	53,541	53,541	53,185	356
Treasurer	47,194	47,194	42,331	4,863
Board of review	2,150	2,150	1,159	991
Hall and grounds	10,840	10,840	7,397	3,443
Cemetery	94,248	94,248	97,130	(2,882)
General administration	149,712	149,712	91,011	58,701
Total general government	<u>456,662</u>	<u>456,662</u>	<u>368,791</u>	<u>87,871</u>
Public works:				
Road construction and maintenance	23,500	23,500	17,215	6,285
Industrial Park assessments	-	-	12,036	(12,036)
Street lights	8,200	8,200	7,074	1,126
Total public works	<u>31,700</u>	<u>31,700</u>	<u>36,325</u>	<u>(4,625)</u>
Community and economic development:				
Economic industrial development	13,240	13,240	10,072	3,168
Planning and zoning	22,419	22,419	12,374	10,045
Total community and economic development	<u>35,659</u>	<u>35,659</u>	<u>22,446</u>	<u>13,213</u>

Charter Township of Big Rapids
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation - parks and recreation	\$ 7,685	\$ 7,685	\$ 6,547	\$ 1,138
Capital outlay	19,500	19,500	4,323	15,177
Total expenditures	560,806	560,806	447,725	113,081
NET CHANGE IN FUND BALANCES	(110,646)	(110,646)	22,118	132,764
FUND BALANCES - BEGINNING	266,968	266,968	266,968	-
FUND BALANCES - ENDING	<u>\$ 156,322</u>	<u>\$ 156,322</u>	<u>\$ 289,086</u>	<u>\$ 132,764</u>

Charter Township of Big Rapids
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 160,000	\$ 160,000	\$ 159,973	\$ (27)
Federal grant	-	-	51,158	51,158
Contribution from local unit	10,000	10,000	6,201	(3,799)
Interest and rentals	1,000	1,000	4,455	3,455
Other	250	250	11,750	11,500
Total revenues	<u>171,250</u>	<u>171,250</u>	<u>233,537</u>	<u>62,287</u>
EXPENDITURES				
Public safety	98,179	98,179	108,284	(10,105)
Capital outlay	18,000	18,000	75,565	(57,565)
Debt service:				
Principal	45,826	45,826	-	45,826
Interest	5,510	5,510	-	5,510
Total expenditures	<u>167,515</u>	<u>167,515</u>	<u>183,849</u>	<u>(16,334)</u>
NET CHANGE IN FUND BALANCES	3,735	3,735	49,688	45,953
FUND BALANCES - BEGINNING	<u>24,020</u>	<u>24,020</u>	<u>24,020</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 27,755</u>	<u>\$ 27,755</u>	<u>\$ 73,708</u>	<u>\$ 45,953</u>

SUPPLEMENTARY INFORMATION

Charter Township of Big Rapids
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2006

	<u>Special revenue</u>			<u>Capital project</u>	<u>Permanent</u>	
	<u>Cemetery</u>	<u>Metro</u>	<u>Liquor Law</u>	<u>Industrial Park</u>	<u>Perpetual Care</u>	<u>Totals</u>
ASSETS						
Cash	<u>\$ 61,873</u>	<u>\$ 12,097</u>	<u>\$ -</u>	<u>\$ 93</u>	<u>\$ 103,137</u>	<u>\$ 177,200</u>
FUND BALANCES						
Unreserved, undesignated	<u>\$ 61,873</u>	<u>\$ 12,097</u>	<u>\$ -</u>	<u>\$ 93</u>	<u>\$ 103,137</u>	<u>\$ 177,200</u>

Charter Township of Big Rapids

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2006

	<u>Special revenue</u>			<u>Capital project</u>	<u>Permanent</u>	
	<u>Cemetery</u>	<u>Metro Act</u>	<u>Liquor Law</u>	<u>Industrial Park</u>	<u>Perpetual Care</u>	<u>Totals</u>
REVENUES						
State grants	\$ -	\$ 4,170	\$ 4,484	\$ -	\$ -	\$ 8,654
Charges for services	2,409	-	-	-	-	2,409
Interest	7,101	344	18	-	19	7,482
Total revenues	9,510	4,514	4,502	-	19	18,545
EXPENDITURES						
Public safety	-	-	4,502	-	-	4,502
Capital Outlay	11,940	-	-	-	-	11,940
Total expenditures	11,940	-	4,502	-	-	16,442
NET CHANGE IN FUND BALANCES	(2,430)	4,514	-	-	19	2,103
FUND BALANCES - BEGINNING	64,303	7,583	-	93	103,118	175,097
FUND BALANCES - ENDING	\$ 61,873	\$ 12,097	\$ -	\$ 93	\$ 103,137	\$ 177,200

FEDERAL AWARDS

Charter Township of Big Rapids

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2006

<i><u>Federal grantor/pass-through grantor/program title</u></i>	<i><u>Federal CFDA number</u></i>	<i><u>Federal expenditures</u></i>
U.S. Department of Commerce, Economic Development Administration: Public Works Development Facilities	11.300	<u>\$571,416</u>

NOTE: The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Charter Township of Big Rapids
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Charter Township of Big Rapids.
2. No significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Charter Township of Big Rapids were disclosed during the audit.
4. No significant deficiencies were identified during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program for the Charter Township of Big Rapids expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for the Charter Township of Big Rapids are reported in Part C of this schedule.
7. The program tested as a major program follows:

<u>Federal agency</u>	<u>Program name</u>	<u>CFDA #</u>
U.S. Department of Commerce	Public Works Development Facilities	11.300

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Charter Township of Big Rapids was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

NONE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Charter Township of Big Rapids, Michigan

We have audited the financial statements of the Charter Township of Big Rapids, Michigan (the Township), as of and for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal control over financial reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

June 26, 2007

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

**Board of Trustees
Charter Township of Big Rapids**

Compliance

We have audited the compliance of the Charter Township of Big Rapids, Michigan (the Township), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The Township's major federal program is its Public Works Development Facilities Program. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Township's management. Our responsibility is to express an opinion on the Township's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township's compliance with those requirements.

In our opinion, the Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal control over compliance

The management of the Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be a material weakness.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Sigfried Crandall P.C.

June 26, 2007

**Members of the Board of Trustees
Charter Township of Big Rapids, Michigan**

In planning and performing our audit of the financial statements of the Charter Township of Big Rapids, Michigan as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Township Board of Trustees of the Township of Big Rapids, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

June 26, 2007